



---

## DEMOCRATS FIGHT FOR MIDDLE CLASS RETIREMENT SECURITY

---

### Retirement Security is Key to a Strong Middle Class

Retirement security is one of the hallmark principles that helped create the middle class. The right to a job that pays a living wage, a home, health care, college for the kids, and ultimately a monthly pension check – are the fundamentals that have created a strong vibrant middle class in America.

But, now each of those fundamentals is under assault as never before. Traditional defined benefit pensions once covered more than 40 million active workers. Now that number is down to 20 million active workers out of a workforce of about 150 million.

### ***Executives Protect Their Pensions While Cutting Worker Pensions***

Pension benefits for executives exceed \$1 billion at some companies. A sampling of those companies by the *Wall Street Journal* found that executive pensions constituted an average of 8% of companies' total pension obligations.

#### ***Executives Enjoy:***

#### ***Workers Suffer:***

<b>IBM</b>	↑	<b>\$1.3 billion</b> dedicated to executive pension plans	↓	Loss of hundreds of millions of dollars in retirement benefits when the company ended its traditional pension plan and replaced it with a “cash balance” plan in the 1990s
<b>General Electric</b>	↑	<b>\$3.1 billion</b> dedicated to executive pension plans	↓	Layoffs as U.S. jobs are sent to Mexico (with taxpayer-funded help from the U.S. Export-Import Bank)
<b>Exxon-Mobil</b>	↑	<b>\$1.8 billion</b> dedicated to executive pension plans <b>\$98 million</b> golden parachute given to former CEO Lee Raymond	↓	Underfunded worker pension plan that would result in restrictions on workers' benefits under pension reform bills currently being considered by Congress
<b>United Airlines</b>	↑	<b>\$4.5 million</b> for CEO Glen Tilton socked away in a special trust protected from bankruptcy creditors	↓	\$3 billion in cuts to workers' retirement benefits after United Airlines dumped its workers' pension plans, imposing more than \$6 billion in liabilities onto the federal government

(Over)

## ***Republican House and Senate Pension Bills Do Not Protect Workers' Retirement Security***

Do-it-yourself 401(k) plans have become the dominant type of pension plan, eroding middle class retirement security. Today's 401(k) plans alone are insufficient to provide retirement security.

- ↓ Only half of all employers offer such plans.
- ↓ Under a 401(k) plan, employees have to elect to join the plan and make contributions from their own earnings. For this reason, over 30% of employees, primarily lower paid employees, never even join the plan.
- ↓ Even when employees join the plan, median balances are under \$30,000 – about a year's worth of retirement income.
- ↓ Some 40% of employees cash out their funds when they change jobs, losing what little retirement security they have accumulated.

Nothing in the pending pension funding reform bills encourages employers to stick with the traditional pension system or meaningfully connects the fate and treatment of executives' pensions with workers' pensions. Under the pending House and Senate bills, many employers will likely freeze or terminate their plans instead of paying millions more in pension contribution benefits. The Senate bill fails to stop companies from dumping their pension obligations onto workers and the federal government. The House-passed bill substantially curtails benefits for employees if a plan is 80% or less funded, while letting executives walk away with millions in golden parachutes. Only when the plan falls below 60% are executives prohibiting from transferring funds to executive pensions, while no restrictions are imposed on their ability to receive lump sum payments. The Senate bill is only slightly better. Neither bill tightly restricts the ability of executives to pad their own pensions while they underfund or terminate their workers' pensions.

### **Real Pension Reform Must:**

- ✓ Make it easier for employers to maintain traditional defined benefit plans.
- ✓ Close bankruptcy loopholes that enable companies to dump their pension obligations on employees and the federal government.
- ✓ Give the Pension Benefit Guaranty Corporation (PBGC) the ability to work with troubled pension plans to improve funding over a reasonable time frame.
- ✓ Stop executives from beefing up their own retirement packages at the same time they are cutting worker pensions.